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March 5, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **OPTIMIST BOYS HOME AND RANCH INC. DBA OPTIMIST YOUTH  
HOMES AND FAMILY SERVICES – A DEPARTMENT OF MENTAL  
HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Optimist Boys Home and Ranch Inc. dba Optimist Youth Homes and Family Services (Optimist or Agency) a Department of Mental Health (DMH) service provider.

**Background**

DMH contracts with Optimist, a private non-profit community-based organization that provides services to clients in all Service Planning Areas. Services include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan. Optimist's offices are located in the First, Third, Fourth and Fifth Supervisorial Districts.

DMH paid Optimist on a cost reimbursement basis between \$1.46 and \$3.49 per minute of staff time (\$87.60 to \$209.40 per hour) for services. Optimist's DMH contract was for approximately \$5.2 million for Fiscal Year (FY) 2007-08.

**Purpose/Methodology**

The purpose of the review was to determine whether Optimist complied with its contract terms and appropriately accounted for and spent DMH funds providing the services outlined in their contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we also interviewed a number of the Agency's staff.

### **Results of Review**

Optimist maintained documentation to support the billed service minutes and used qualified staff to provide program services. In addition, the Agency maintained adequate controls over cash and other assets. However, the Agency did not always comply with other contract requirements. Specifically, the Agency:

- Did not complete the Client Care Plans in accordance with the County contract for 14 (56%) of 25 clients sampled.
- Billed the DMH program \$4,334 for expenditures that were not sufficiently documented.
- Billed \$272,252 for office space without supporting documentation.
- Billed the DMH program for salary expenditures that were not supported by time reports.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with Optimist and DMH on December 18, 2008. In their attached response, the Agency describes the corrective actions they have taken or plan to take to address the recommendations in our report. The Agency also indicates that it will negotiate with DMH to determine partial or full repayment of the \$4,334.

We thank Optimist management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Optimist Boy's Home and Ranch, Inc.  
Silvio John Orlando, Executive Director  
Gerrie O'Meara, President  
Terry McWeeney, Vice-President  
Bill Bertrand, Vice-President  
Leland Lau, Treasurer  
Delores Gadbury, Secretary  
Public Information Office  
Audit Committee

**CONTRACT COMPLIANCE REVIEW  
OPTIMIST BOY'S HOME AND RANCH, INC.  
FISCAL YEAR 2007-08**

**BILLED SERVICES**

**Objective**

Determine whether Optimist Boys Home and Ranch Inc. dba Optimist Youth Homes and Family Services (Optimist or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

**Verification**

We judgmentally selected 30 billings totaling 2,980 minutes from 114,104 service minutes and 15 full-day billings from 3,031 services days of approved Medi-Cal billings from November and December 2007. We reviewed the Assessments, Client Care Plans, Progress Notes and Weekly Summaries maintained in the clients' charts for the selected billings. The 2,980 minutes and 15 days represent services provided to 25 program participants. We also traced an additional 613 service days billed to the client attendance sheets to support the services billed.

**Results**

Optimist maintained Progress Notes to support 99% of the service minutes and maintained Weekly Summaries to support 100% of the service days billed to DMH. However, the Agency did not always complete Assessments, Client Plans and Progress Notes in accordance with the County contract requirements.

**Assessments**

Optimist did not complete Assessments for two (8%) of 25 clients sampled in accordance with the County contract. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the clients' mental health treatment needs. Specifically the Assessments did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis. The County contract requires agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

**Client Care Plans**

Optimist did not complete the Client Care Plans in accordance with the County contract for 14 (56%) of 25 clients sampled. Specifically:

- Thirteen Client Care Plans did not contain the parent or guardians' signature to document their participation in the clients' treatment.
- Two Client Care Plans did not contain goals and planned interventions for each type of treatment provided.
- One Client Care Plan did not contain goals to address the symptoms and behaviors identified in the Assessment.

The number of incomplete Client Care Plans noted above exceeded the overall number of Client Care Plans reviewed because some of the Client Care Plans contained more than one deficiency.

### Progress Notes

The Agency did not complete four (13%) of the 30 Progress Notes reviewed in accordance with the County contract. Specifically:

- Three Progress Notes did not describe what the client or service staff attempted and/or accomplished towards the clients' goals.
- One Progress Note billed for multiple staff did not describe the contributions of the additional service staff.

### Recommendation

1. **Optimist management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

## STAFFING LEVELS

### Objective

Determine whether the Agency maintained the appropriate staff to client ratio of 1:10 in its Day Rehabilitation Program.

### Verification

We interviewed management and requested documentation to support the Agency's compliance with staffing level requirements.

### Results

Optimist did not maintain documentation to support their compliance with staffing level requirements for their Day Rehabilitation Program. Management indicated that they

completed staff schedules and required the clients to sign-in each day. However, they explained that staff did not retain the information.

**Recommendation**

2. Optimist management maintain documentation to support compliance with the required staffing ratios in their Day Rehabilitation Program.

**STAFFING QUALIFICATIONS****Objective**

Determine whether Optimist' treatment staff possessed the required qualifications to provide the services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 21 of the 88 Optimist treatment staff who provided services to DMH clients during November and December 2007.

**Results**

Each employee in our sample possessed the qualifications required to deliver the services billed.

**Recommendation**

There are no recommendations for this section.

**SERVICE LEVELS****Objective**

Determine whether Optimist' reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this area as DMH's contract with Optimist did not specify the required service levels for each type of service provided for the audit period.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

**Verification**

We interviewed Optimist's management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliations for January 2008 for two bank accounts.

**Results**

Optimist properly recorded and deposited cash receipts timely. In addition, the Agency prepared appropriate bank reconciliations.

**Recommendation**

There are no recommendations for this section.

**COST ALLOCATION PLAN****Objective**

Determine whether Optimist's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

**Results**

Optimist's Cost Allocation Plan was not prepared in compliance with the County contract. The Plan did not identify the indirect costs or describe the methodologies used to allocate the costs.

**Recommendation**

3. Optimist management ensure their Cost Allocation Plan is in compliance with the County contract.

## **EXPENDITURES**

### **Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

### **Verification**

We reviewed financial records and documentation to support 25 non-payroll expenditure transactions charged to the DMH program between July and December 2007, totaling \$39,612.

### **Results**

The Agency used DMH funds totaling \$4,334 to pay for undocumented expenditures. Specifically, the Agency:

- Could not provide a receipt or invoice to support three expenditures totaling \$1,576.
- Charged DMH \$2,758 for airline tickets and amounts paid to a subcontractor. However, Optimist did not maintain documentation indicating why the expenditures are necessary and/or how they benefited the DMH program.

### **Office Space Costs**

The Agency could not provide documentation to support \$272,252 in use allowances for office space. Agency management explained that their former consultant determined the amounts and they did not obtain schedules to support the calculations.

### **Recommendations**

#### **Optimist management:**

4. **Repay the DMH program \$4,334 or provide documentation to support the expenditures.**
5. **Ensure that program expenditures are supported by adequate documentation.**
6. **Calculate the appropriate usage allowance amounts for office space for Fiscal Years 2006-07 and 2007-08 and repay DMH for any over billed amounts.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether fixed assets and equipment charged to DMH were used by the DMH program and were adequately safeguarded.

**Verification**

We interviewed staff and reviewed the Agency's depreciation schedule.

**Results**

The Agency appropriately allocated total Agency fixed assets and equipment costs to the DMH Program. In addition, the Agency adequately safeguarded their fixed assets and equipment.

**Recommendation**

There are no recommendations for this section.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures for ten employees totaling \$11,346 to the payroll records and time reports for the two-week pay period ending January 12, 2008. We also interviewed the employees and reviewed their personnel files.

**Results**

The Agency maintained personnel files as required. The Agency charged salary expenditures based on estimates rather than actual hours worked for three employees that worked on both DMH and non-DMH programs. The employees' time report did not identify the actual hours worked on each program as required.

**Recommendation**

7. Optimist management ensure that salary expenditures are supported by time reports that reflect the actual hours worked on each program.



**COST REPORT****Objective**

Determine whether Optimist' FY 2006-07 Cost Report reconciled to the Agency's financial records.

**Verification**

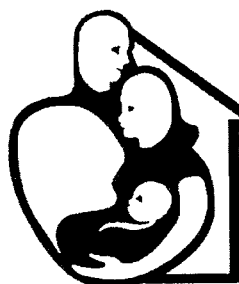
We traced the Agency's FY 2006-07 Cost Report to the Agency's general ledger.

**Results**

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records.

**Recommendation**

**There are no recommendations for this section.**



Serving Youth Since 1906

# OPTIMIST

Youth Homes & Family Services

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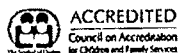
Silvio John Orlando, ACSW  
Executive Director

Douglas E. Buttrick  
Director of Finance

Wendy L. Watanabe, Acting Auditor-Controller  
Department of Auditor Controller  
County of Los Angeles  
Kenneth Hahn Hall of Administration  
500 West Temple St., Room 525  
Los Angeles, CA 90012

Dear Ms. Watanabe,

## Affiliations



I am pleased to respond to the DMH contract review of Optimist Boys Home & Ranch Inc. dba: Optimist Youth Homes & Family Services for fiscal year 2006-07.

Let me begin by saying that we found your staff to be very accommodating and unobtrusive during their site visit in March of 2008 and we thank you for that.



We also appreciate the many positives pointed out in the review and that we are pleased to have been in compliance for the most part.

I will respond by outlining each of the recommendations in the report sent to us by listing the specific recommendation and our response to them.

## Billed Services

**Recommendation 1:** Optimist management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.

## Response:

**Assessment:** All assessments shall be reviewed by the supervisor(s) to assure all areas are complete and the appropriate diagnosis is given to any and all clients. The diagnosis shall be discussed with the psychiatrist (if services are being provided by the psychiatrist) for any of those clients being served. In addition, the diagnosis is being reviewed on a quarterly basis to assure that the client is still meeting the current/present diagnosis initially given to him/her from the onset of treatment based off the DSM IV. This is documented in the chart for every client served through Optimist.

**Client Care Plans:** All Client Care Plans shall contain parent or guardian signatures on the plan. If staff is unable to obtain signatures from a parent or guardian, an explanation shall be documented on the signature page of the Client Care Plan in a note from the clinician/therapist. Once again, all Client Care Plans shall be reviewed by immediate supervisor(s) to assure that the goal is appropriate for the client based on his/her diagnosis from the DSM IV. This will assure that the client is working towards alleviating his/her

symptoms based on the clinical diagnosis for the client being served. Goals shall be reviewed on a quarterly basis by both the supervisor and clinician/ therapist(s) to assure that the goal is appropriate for the client's needs and services. Every client will have a goal appropriate for his/her immediate needs.

**Progress Notes:** Every progress note shall describe what the client addressed in the therapeutic setting to work towards accomplishing his/her goal in session. The progress notes shall be specific to intervention and response from the client to the intervention. Every progress note states the client's goal and this shall remain in place for every progress note entry. If there is multiple staff providing interventions for a client, every staff's involvement and direct intervention in that session shall be documented in the progress note.

### **Staffing**

**Recommendation 2:** Optimist management maintain documentation to support compliance with the required staffing ratios in their Day Rehabilitation Program.

#### **Response:**

Optimist shall maintain records for the Day Rehab Program on a daily basis. All residents/clients being served in this program are signing in daily, along with staff who are present daily in the services being provided under the Day Rehab Program. Staff shall store all sign in sheets and document the agency's compliance with staffing level requirements per Optimist's contract with The Department of Mental Health.

### **Cost Allocation Plan**

**Recommendation 3:** Optimist management develop and implement a detailed and equitable Cost Allocation Plan.

#### **Response:**

Optimist agrees to maintain a detailed and equitable Cost Allocation Plan to allocate shared costs to the DMH program. For FY 2008-09, Optimist will allocate administrative costs based on mental health salaries divided by total salaries less administrative salaries. In addition, for FY 2009-10, Optimist will create a separate cost center to segregate indirect costs.

### **Expenditures**

**Recommendation 4:** Optimist management repay the DMH program \$4,334 or provide documentation to support the expenditures.

#### **Response:**

Included in the above total was \$2,340 in charges from a contracted social work agency that provided temporary clinicians for the DMH program. However, the contracted social workers

did not fill out an Optimist time sheet to prove that they had worked on the DMH program. Therefore, Optimist will negotiate with DMH to determine partial or full repayment.

**Recommendation 5:** Ensure that program expenditures are supported by adequate documentation.

**Response:**

Optimist will redouble its efforts to ensure that all DMH program expenditures are supported by adequate documentation.

**Recommendation 6:** Calculate the appropriate usage allowance amounts for office space used by the DMH program for FY's 2006-07 and 2007-08 and repay DMH for any over billed amounts.

**Response:**

Optimist believes that the unsupported use allowance for office space is significantly less than the Auditor-Controller's finding of \$272,252. Optimist has already corrected occupancy space charged to the DMH program on the cost report for 2007-08. Optimist will also revise the cost report for 2006-07 and will negotiate with DMH to determine any over billed amount.

**Payroll and Personnel**

**Recommendation 7:** Optimist management ensure that salary expenditures are supported by time reports that reflect the actual hours worked on each program.

**Response:**

The majority of Optimist employees complete a time sheet. Those employees who work directly on the DMH program indicate actual hours worked on the DMH program. However, some MHRS employees use a time clock punch card and those employees are charged to the Day Rehab program via percentages using the ADP payroll system.

We trust that you will find our responses to be satisfactory and that you will communicate such to DMH.

Again, thank you for your cooperation.

Sincerely,



Silvio John Orlando ACSW  
Executive Director